Dannhauser Local Municipality
Annual Financial Statements
for the year ended June 30, 2016

Dannhauser Local Municipality
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General Information

Legal form of entity	Local municipality
Municipal demarcation code	KZN 254
Grading of local Municipality	Grade 3
Capacity of local authority	Low capacity municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of rates and general services to the community.
Executive Mayor	Cllr Phakathi JP
Speaker	CLLR Ngubeni ZS
Councillors	Cllr Buthelezi AH Cllr Buthelezi MA Cllr Hlongwane NS Cllr Kunene ES Cllr Mabanga TV Cllr Majola NM Cllr Manyathi NGJ Cllr Mdakane HV Cllr Mhlungu NJ Cllr Ndaba VM Cllr Ndlovu SN Cllr Nene PP Cllr Ngidi MA Cllr Ngubeni ZS Cllr Nxumalo LL Cllr Nyembe MR Cllr Phakathi JP Cllr Radebe AN Cllr Shabalala MB Cllr Sibeko MA Cllr Sithole MP
Accounting Officer	Mr. Nkosi WB
Chief Finance Officer (CFO)	Mrs Mohapi DM
Registered office	8 Church Street Dannhauser 3080
Business address	8 Church Street Dannhauser 3080
Postal address	Private Bag X1011

General Information

	Dannhauser 3080
Bankers	First National Bank - Newcastle
Auditors	Auditor General of South Africa
Attorneys	Rafiq Khan and Company

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The reports and statements set out below comprise the annual financial statements presented to the council::

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant (Previously CMIP)
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 62, in terms of Section 126(1) of the Municipal Finance Magement Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 25 & 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Beares Act and the Minister of Provincial and Local Government's dtermination in accordance with this Act.

Mr. Nkosi WB
Municipal Manager

Accounting officer's Report

The accounting officer submits his report for the year ended June 30, 2016.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 10,066,282 (2015: surplus R 15,782,581).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. Nkosi WB	South African

Statement of Financial Position as at June 30, 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	32,888,599	31,924,384
Receivables from exchange transactions	4	4,946,802	3,968,578
Receivables from non-exchange transactions	5	8,403,778	5,195,704
VAT receivable	6	5,159,581	1,014,181
		51,398,760	**42,102,847**
Non-Current Assets			
Investment property	7	14,815,856	14,815,856
Property Plant & Equipment	8	306,018,323	334,188,005
Intangible assets	9	-	101,447
Heritage assets	10	55,576	55,576
		320,889,755	**349,160,884**
Total Assets		**372,288,515**	**391,263,731**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	8,085,420	4,977,458
Finance lease obligation	12	-	1,215
Unspent conditional grants and receipts	13	4,367,289	19,746,966
Provisions	14	1,042,078	986,816
		13,494,787	**25,712,455**
Non-Current Liabilities			
Employee benefit obligation	15	4,622,000	4,454,000
Total Liabilities		**18,116,787**	**30,166,455**
Net Assets		**354,171,728**	**361,097,276**
Accumulated surplus		354,171,728	361,097,276

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	871,408	928,131
Rental of facilities and equipment	17	144,044	165,337
Interest received	18	2,550,115	1,419,856
Licences and permits	19	2,000,475	1,173,905
Other income	20	354,938	6,161,632
Total revenue from exchange transactions		**5,920,980**	**9,848,861**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	16,391,826	13,502,865
Transfer revenue			
Government grants and subsidies	22	119,393,634	100,149,080
Fines	23	850,601	714,010
Total revenue from non-exchange transactions		**136,636,061**	**114,365,955**
Total revenue	24	**142,557,041**	**124,214,816**
Expenditure			
Employee related costs	25	(22,054,819)	(22,162,612)
Remuneration of councillors	26	(6,529,067)	(5,844,773)
Debt impairment	27	(761,843)	(584,237)
Depreciation and amortisation	28	(26,296,912)	(26,010,279)
Repairs and maintenance	29	(5,086,745)	(6,036,509)
General expenses	31	(46,278,311)	(47,814,316)
Total expenditure		**(107,007,697)**	**(108,452,726)**
Operating surplus		**35,549,344**	**15,762,090**
(Loss) gain on disposal of assets and liabilities	32	(285,514)	123,811
Impairment loss	33	(45,330,111)	(103,321)
		(45,615,625)	**20,490**
(Deficit) surplus for the year		**(10,066,281)**	**15,782,580**

* See Note 40

Dannhauser Local Municipality

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2014	**348,232,451**	**348,232,451**
Changes in net assets		
Deemed cost property plant and equipment	361,804	361,804
PAYE Adjustment	(3,562,883)	(3,562,883)
Net income (losses) recognised directly in net assets	(3,201,079)	(3,201,079)
Surplus for the year	15,782,581	15,782,581
Total recognised income and expenses for the year	12,581,502	12,581,502
Surplus on Housing Fund	283,323	283,323
Total changes	12,864,825	12,864,825
Restated* Balance at July 1, 2015	**361,097,276**	**361,097,276**
Changes in net assets		
Property plant & equipment	3,212,079	3,212,079
Revision of useful life	6,849	6,849
COIDA	(152,400)	(152,400)
Councilors Allowance	(339,725)	(339,725)
Net income recognised directly in net assets	2,726,803	2,726,803
Surplus for the year	(10,066,282)	(10,066,282)
Total recognised income and expenses for the year	(7,339,479)	(7,339,479)
Surplus on Housing Fund	413,931	413,931
Total changes	(6,925,548)	(6,925,548)
Balance at June 30, 2016	**354,171,728**	**354,171,728**

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Service charges		20,114,310	16,318,911
Government grants and subsidies		119,393,634	100,149,080
Interest received		2,550,115	1,419,856
Other income		1,902,176	3,725,148
		143,960,235	121,612,995
Payments			
Employee related costs		(28,583,886)	(21,709,334)
Suppliers		(92,938,865)	(51,610,834)
Grants and expenditure		-	(4,241,397)
		(121,522,751)	(77,561,565)
Net cash flows from operating activities	35	**22,437,484**	**44,051,430**
Cash flows from investing activities			
Purchase of property plant & equipment	8	(68,204,619)	(29,006,355)
Proceeds from sale of property plant & equipment	8	226,680	221,061
Purchase of investment property	7	-	(4,400,000)
Purchase of other intangible assets	9	-	(89,951)
Proceeds from sale of other intangible assets	9	-	199
Impairment on assets useful lives assessment and other		46,091,954	616,654
Net cash flows from investing activities		**(21,885,985)**	**(32,658,392)**
Cash flows from financing activities			
Finance lease receipts and payments		(1,215)	1,215
Net cash flows from financing activities		**412,716**	**1,215**
Net increase/(decrease) in cash and cash equivalents		**964,215**	**11,394,253**
Cash and cash equivalents at the beginning of the year		31,924,384	20,530,131
Cash and cash equivalents at the end of the year	3	**32,888,599**	**31,924,384**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	732,776	(732,776)	-	-	-	
Service charges	960,646	(960,646)	-	871,408	**871,408**	48.1
Rental of facilities and equipment	174,322	(174,322)	-	144,044	**144,044**	48.2
Licences and permits	799,506	(799,506)	-	2,000,475	**2,000,475**	48.3
Other income	2,193,783	(2,193,783)	-	354,938	**354,938**	48.4
Interest received	1,500,000	(1,500,000)	-	2,550,115	**2,550,115**	48.5
Total revenue from exchange transactions	**6,361,033**	**(6,361,033)**	-	**5,920,980**	**5,920,980**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	16,325,127	(16,325,127)	-	16,391,826	**16,391,826**	48.6
Transfer revenue						
Government grants and subsidies	94,889,000	(94,889,000)	-	119,393,634	**119,393,634**	48.7
Fines	170,095	(170,095)	-	850,601	**850,601**	48.8
Total revenue from non-exchange transactions	**111,384,222**	**(111,384,222)**	-	**136,636,061**	**136,636,061**	
Total revenue	**117,745,255**	**(117,745,255)**	-	**142,557,041**	**142,557,041**	
Expenditure						
Employee related costs	(25,869,071)	25,869,071	-	(22,054,819)	**(22,054,819)**	48.9
Remuneration of councillors	(7,413,026)	7,413,026	-	(6,529,067)	**(6,529,067)**	48.10
Depreciation and amortisation	(6,500,000)	6,500,000	-	(26,296,912)	**(26,296,912)**	
Debt impairment	-	-	-	(761,843)	**(761,843)**	
Repairs and maintenance	(9,318,958)	9,318,958	-	(5,086,745)	**(5,086,745)**	48.11
Grants and expenditure	(4,466,000)	4,466,000	-	-	-	
General expenses	(75,346,249)	128,913,304	**53,567,055**	(46,278,311)	**(99,845,366)**	48.12
Total expenditure	**(128,913,304)**	**182,480,359**	**53,567,055**	**(107,007,697)**	**(160,574,752)**	
Operating surplus	**(11,168,049)**	**64,735,104**	**53,567,055**	**35,549,344**	**(18,017,711)**	
Loss on disposal of assets and liabilities	-	-	-	(285,514)	**(285,514)**	
Loss on biological assets and agricultural produce	-	-	-	(45,330,111)	**(45,330,111)**	
	-	**-**	**-**	**(45,615,625)**	**(45,615,625)**	
Surplus for the year	**(11,168,049)**	**64,735,104**	**53,567,055**	**(10,066,281)**	**(63,633,336)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(11,168,049)**	**64,735,104**	**53,567,055**	**(10,066,281)**	**(63,633,336)**	

Dannhauser Local Municipality
Annual Financial Statements for the year ended June 30, 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

1.1 Going concern assumption

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 Provisions.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 15.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Accounting Policies

1.3 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property Plant & Equipment

Property Plant & Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property plant & equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property Plant & Equipment are initially recognised at cost.

The cost of an item of property plant & equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property plant & equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

When significant components of an item of property plant & equipment have different useful lives, they are accounted for as separate items (major components) of property plant & equipment.

Costs include costs incurred initially to acquire or construct an item of property plant & equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property plant & equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property plant & equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property plant & equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property plant & equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant & equipment are accounted for as property plant & equipment.

Major inspection costs which are a condition of continuing use of an item of property plant & equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property plant & equipment. Any remaining inspection costs from the previous inspection are derecognised.

The useful lives of items of property plant & equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	30 - 50 years
Leasehold property	

Accounting Policies

1.4 Property Plant & Equipment (continued)

Plant and machinery	
• Specialist vehicles	10 years
Furniture and fixtures	7 - 10 years
Motor vehicles	5 years
Office equipment	3 - 5 years
IT equipment	30 years
Infrastructure	30 years
• Buildings	30 - 50 years
• Recreational facilities	30 years
• Securities	5 years
Specialised vehicles	10 years
Other vehicles	5 years
Landfill site	15 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate; unless expectations differ from the previous estimate.

Each part of an item of property plant & equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit; unless it is included in the carrying amount of another asset.

Items of property plant & equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property plant & equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such a difference is recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property plant & equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property plant & equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated residual values as follows:

Item	Useful life
Computer software, other	1year

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Accounting Policies

1.6 Intangible assets (continued)

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such a difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 10 Heritage assets.

Initial measurement

Heritage assets are initially recognised cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such a difference is recognised in surplus or deficit when the heritage asset is derecognised.

Accounting Policies

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Liquidity risk is the risk encountered by the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from Non - exchange transactions	Financial asset measured at amortised cost
Cash or cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.8 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets in the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.10 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

1.11 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Statutory receivables

Statutory receivables are receivables that:
- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the definition of an asset is met; and
  - it its probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:
- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due the the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.13 Statutory receivables (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:
- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable;
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.14 Employee benefits

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

The provision for landfill site is the cost of levelling the land in the next financial year. The landfill site is levelled on an annual basis, the provision is calculated based on the costs incurred in the current financial year in respect to levelling and this had been adjusted for inflation. The amount provided is the best estimate calculated.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Accounting Policies

1.15 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on municipalities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards; and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy, but does not yet have a present obligation to pay that levy.

1.16 Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue, is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exists in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.19 Borrowing costs

1.20 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator.
- is provided by the grantor (municipality) which:
  - is an existing asset of the municipality; or
  - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

1.20 Service concession arrangements: Grantor (continued)

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determine using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 43 for detail.

1.22 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.26 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 36.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

Accounting Policies

1.28 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2014 to 6/30/2015.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and reconciliation between the statement of financial performance and the budget for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alias, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

GRAP 108: Statutory Receivables

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after April 1, 2016.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after April 1, 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after April 1, 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after April 1, 2018.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	537	218
Bank balances	1,598,744	10,907,950
Short-term deposits	28,962,892	10,869,499
Other cash and cash equivalents	2,326,424	10,146,717
	32,888,597	**31,924,384**

Figures in Rand	2016	2015

3. Cash and cash equivalents (continued)

For the purpose of the statement of financial position and cash flow statement, cash and cash equivalents include Cashiers' Float of R200 and Petty cash on hand (R338), bank balance and investments. In terms of GRAP 1 and MFMA, Investments and Cash and Cash Equivalents must be consolidated.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2016	June 30, 2015	June 30, 2014
Bank balances	-	-	-	-	-	1
	-	-	-	-	-	-
FNB - Small Town - 62392884659	-	9,969,051	-	-	9,969,051	-
FNB - Primary Bank Account - 62369194106	1,221,794	1,789,187	1,764,101	-	225,916	581,573
Standard Bank - Primary Bank Account - 060032073	158,438	711,603	101,236	712,984	712,984	102,617
FNB - Call Account - 62392884659	3,555,956	11,236,049	1,578	3,555,956	-	1,578
Standard Bank - Notice Deposit - 068483295002	5,104,264	45,912	807,665	5,104,264	46,040	807,665
Standard Bank - Call Account - 068480520001	2,257,090	2,444,119	2,356,194	2,257,090	51,092	2,356,194
FNB BANK - 30 Day Notice - 74089485434	-	468,371	446,198	-	472,990	446,198
FNB Bank - Call Account - 62084062894	306	879,976	843,668	306	883,451	843,668
ABSA BANK - Map Call Account - 9118486422	1,467,442	1,396,890	1,358,904	1,467,442	1,400,509	1,358,904
ABSA BANK - 9121421831 - Call Account	10,367	724,283	2,979,718	10,367	737,349	297,718
ABSA BANK - Call Account 9169857999	2,663,337	2,535,290	2,466,230	2,663,337	2,541,857	2,466,230
STANDARD BANK - Equitable Share -068480520 - 002	47,093	44,441	2,190,582	47,093	44,604	2,190,582
ABSA BANK - Housing Call Account - 9259916188	430,003	406,801	2,054,921	430,003	408,218	2,054,921
ABSA BANK - Fixed Deposit Account (MPRA) - 2072034421	770,555	718,922	682,710	770,555	722,280	682,710
FNB Bank -Municipal Infrastructure Grant - 62392885855	3,594	3,409	3,056	3,594	-	3,056
FNB - Call Account - (Electrification) 62422725682	703,280	3,245,301	30,383	703,280	239,098	30,383
ABSA - Fixed Deposits - 2074015596	2,328,413	2,158,596	391,947	2,328,413	2,180,064	391,947
NEDBANK - Call Account (MIG) - 7165020829	1,801,407	24,686	-	1,801,407	24,686	-
STANLIB - Retention Account - 52714479	6,586	6,147	386,000	6,586	6,147	386,000
INVESTEC - FIXED DEPOSITS - 1100532894-450	5,092,956	-	-	5,092,956	-	-
INVESTEC - Call Account - Equitableshare - 1100532894-451	5,096,300	-	-	5,096,300	-	-
STANDARD BANK - Call account - 268436894001	1,175,221	1,103,094	2,761,218	1,175,221	1,107,695	2,761,218
Nedbank - Call Account - 7165022015	2,326,424	-	-	2,326,424	-	-
Nedbank - Call Account (MSIG & FMG) -7165022740	4,676	-	-	4,676	-	-
Total	**36,225,502**	**39,912,128**	**21,626,309**	**35,558,254**	**21,774,031**	**17,763,163**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

4. Receivables from exchange transactions

Other receivables	1,635,261	1,267,497
Refuse	1,695,337	1,458,549
Sundry debtors	1,577,086	487,132
Prepaid expenses	39,118	755,400
	4,946,802	**3,968,578**

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	860,108	849,728
2 months past due	677,507	687,471
3 months past due	627,825	535,456
4 months past due	705,254	516,751

5. Receivables from non exchange and exchange transactions

Gross balances		
Rates	18,367,669	15,159,596
Less: Allowance for impairment		
Rates	(9,963,891)	(9,963,891)
Net balance		
Rates	8,403,778	5,195,704

Rates		
Current (0 -30 days)	784,910	748,776
31 - 60 days	606,946	603,450
61 - 90 days	561,077	474,468
91 - 120 days	524,960	459,679
121 - 365 days	15,889,776	12,873,222
Less: Impairment allowance	(9,963,891)	(9,963,891)
	8,403,778	**5,195,704**

Refuse		
Current (0 -30 days)	75,198	100,952
31 - 60 days	70,561	84,021
61 - 90 days	66,208	60,988
91 - 120 days	180,294	57,072
121 - 365 days	3,309,848	3,162,287
Less : Impairment allowance	(2,006,771)	(2,006,771)
	1,695,338	**1,458,549**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. Receivables from non exchange and exchange transactions (continued)

Summary of receivables by customer classification

	2016	2015
Consumers		
Current (0 -30 days)	701,481	610,097
31 - 60 days	564,521	464,456
61 - 90 days	547,297	413,415
91 - 120 days	502,658	409,561
121 - 365 days	15,214,729	14,253,754
	17,530,686	16,151,283
Less: Allowance for impairment	(10,380,961)	(10,380,961)
	7,149,725	**5,770,322**

	2016	2015
National and provincial government		
Current (0 -30 days)	383,539	239,631
31 - 60 days	243,296	223,014
61 - 90 days	227,822	122,041
91 - 120 days	117,832	107,190
121 - 365 days	3,566,603	1,781,757
	4,539,092	2,473,633
Less: Allowance for impairment	(1,589,701)	(1,589,701)
	2,949,391	**883,932**

	2016	2015
Total		
Current (0 -30 days)	1,085,020	849,728
31 - 60 days	807,817	687,470
61 - 90 days	775,119	535,456
91 - 120 days	620,490	516,751
121 - 365 days	18,781,332	16,035,538
	22,069,778	18,624,943
Less: Allowance for impairment	(11,970,662)	(11,970,662)
	10,099,116	**6,654,281**

	2016	2015
Reconciliation of allowance for impairment		
Balance at beginning of the year	11,970,663	(11,698,433)
Contributions to allowance	-	(272,230)
	11,970,663	**(11,970,663)**

6. VAT receivable

	2016	2015
VAT	5,159,581	1,014,181

VAT is accounted for on the payments basis.

All VAT returns were submitted throughout the year.

Figures in Rand	2016	2015

7. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property - Land and Buildings	14,815,856	-	14,815,856	14,815,856	-	14,815,856

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property - Land	13,462,756	13,462,756
Investment property - Buildings	1,353,100	1,353,100
	14,815,856	**14,815,856**

Reconciliation of investment property - 2015

	Opening balance	Additions	Total
Investment property	10,415,856	4,400,000	14,815,856

Pledged as security

None of the above investment property have been pledged as security.

Details of property

Property 1

	2016	2015
- Purchase price: 1 December 2008	-	10,081,856
- Capitalised expenditure	-	4,734,000
	-	**14,815,856**

Other disclosures

	2016	2015
- Rental revenue from investment property	144,044	165,337

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

8. Property Plant & Equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,619,950	(522,989)	1,096,961	1,619,950	(2,672)	1,617,278
Buildings	241,772,141	(105,335,681)	136,436,460	226,570,037	(61,791,959)	164,778,078
Plant and machinery	2,406,375	(1,114,847)	1,291,528	1,816,944	(998,111)	818,833
Furniture and fixtures	3,008,147	(1,826,109)	1,182,038	2,544,527	(1,568,146)	976,381
Motor vehicles	14,283,347	(7,415,218)	6,868,129	11,627,884	(5,693,052)	5,934,832
IT equipment	1,661,798	(1,267,577)	394,221	1,729,915	(1,302,690)	427,225
Infrastructure	343,408,079	(212,005,889)	131,402,190	317,036,094	(185,854,861)	131,181,233
Infrastructure work in progress	27,346,796	-	27,346,796	28,453,031	-	28,453,031
Leased assets	-	-	-	1,215	(101)	1,114
Total	**635,506,633**	**(329,488,310)**	**306,018,323**	**591,399,597**	**(257,211,592)**	**334,188,005**

Reconciliation of property plant & equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,617,278	-	-	-	-	(32,067)	(488,250)	1,096,961
Buildings	164,778,078	15,202,104	-	-	-	(4,691,838)	(38,851,884)	136,436,460
Plant and machinery	818,833	704,185	(32,693)	-	378	(199,176)	-	1,291,527
Furniture and fixtures	976,382	463,619	-	-	2,194	(260,157)	-	1,182,038
Motor vehicles	5,934,833	2,655,462	-	-	-	(1,722,167)	-	6,868,128
IT equipment	427,225	122,403	(26,141)	-	-	(129,266)	-	394,221
Infrastructure	131,181,232	11,713,957	-	-	14,126,845	(19,609,897)	(6,009,947)	131,402,190
Infrastructure work in progress	28,453,031	37,342,889	-	(38,449,124)	-	-	-	27,346,796
Leased assets	1,114	-	-	-	-	(1,114)	-	-
	334,188,006	**68,204,619**	**(58,834)**	**(38,449,124)**	**14,129,417**	**(26,645,682)**	**(45,350,081)**	**306,018,321**

Notes to the Annual Financial Statements

Figures in Rand

8. Property Plant & Equipment (continued)

Reconciliation of property plant & equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	1,138,950	481,000	-	-	-	(2,672)	-	1,617,278
Buildings	167,687,691	1,761,553	-	-	-	(4,671,166)	-	164,778,078
Plant and machinery	781,101	289,952	(4,387)	-	-	(222,690)	(25,143)	818,833
Fumiture and fixtures	1,018,490	316,154	(5,686)	-	-	(335,017)	(17,559)	976,382
Motor vehicles	6,376,189	1,109,165	(77,900)	-	-	(1,472,621)	-	5,934,833
IT equipment	546,612	212,872	(9,277)	-	-	(269,481)	(53,501)	427,225
Infrastructure	153,823,111	11,124,247	-	(15,550,982)	808,148	(19,023,292)	-	131,181,232
Infrastructure work in progress	-	13,710,197	-	15,550,982	(808,148)	-	-	28,453,031
Other leased Assets # 1	-	1,215	-	-	-	(101)	-	1,114
	331,372,144	**29,006,355**	**(97,250)**	**-**	**-**	**(25,997,040)**	**(96,203)**	**334,188,006**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	-	-	-	118,373	(16,926)	101,447

Reconciliation of intangible assets - 2016

	Opening balance	Revaluations	Total
Computer software	101,447	(101,447)	-

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	24,935	89,950	(199)	(13,239)	101,447

Pledged as security

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

All computer software held by the municipality is under licenced for the perioad of 12 months it was therefore expensed.

10. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	55,576	-	55,576	55,576	-	55,576

Reconciliation of heritage assets 2016

	Opening balance	Total
Mayoral chain	55,576	55,576

Reconciliation of heritage assets 2015

	Opening balance	Total
Mayoral chain	55,576	55,576

Pledged as security

None of the above heritage assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand	2016	2015

11. Payables from exchange transactions

	2016	2015
Trade payables	493,694	996,353
Accrued leave pay	2,448,105	1,757,261
Retentions on contracts with creditors	803,599	387,422
Trade accruals	4,213,764	1,679,587
Performance bonus accrual	144,752	144,752
Salary control	(18,494)	205,395
Prodiba	-	12,083
Leave Encashment	-	(205,395)
	8,085,420	**4,977,458**

12. Finance lease obligation

	2016	2015
Minimum lease payments due		
- within one year	-	1,215
Present value of minimum lease payments due		
- within one year	-	1,215

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 2-4 years and the average effective borrowing rate was linked to prime interest rate.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2016	2015
Unspent conditional grants and receipts		
Emafusini KNPA roads project	112,437	112,437
Expanded Works Program (EPWP)	20,758	-
Financial Management Grant (FMG)	50	1,120
Health Regional Services Council (RSC) cemetery project	58,336	58,336
Information Management Planning (IMP) monitoring system (KZN Province)	58,830	58,830
Integrated National Electrification Programme Grant (INEG)	(2,139,480)	(2,139,480)
Integrated National Electrification Programme Grant (INEG) two	449,118	104,704
Kwagule bakery-reserves	53,440	53,440
Land use management systems	102,354	102,354
Municipal Infrastructure Grant (MIG) Guarantee	73,742	767,743
Municipal Systems Improvement Grant (MSIG) grant	-	794
Rural infrastructure	344,148	344,148
Small town rehabilitation	5,032,211	20,081,195
Storm relief	139,966	139,966
Tourism support grant	61,379	61,379
	4,367,289	**19,746,966**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited. All grants that do not have movements are roll over grants.

Notes to the Annual Financial Statements

Figures in Rand

14. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Landfill sites	986,816	55,262	1,042,078

Reconciliation of provisions - 2015

	Opening Balance	Reversed during the year	Total
Landfill sites	3,588,638	(2,601,822)	986,816

Provision for rehabilitation:

The Municipality engages in waste disposal operations from residential and business areas within the Durnacol area.

The site is unlicensed at present. However, the municipality is in the process of licensing the site as part of a Department of Environmental Affairs initiative.

Dannhauser Local Municipality is required to execute an environmental management program to restore the landfill sites after its useful life. The expected cashflows over the next 15 years entails three major components:

- Pre-closure costs
- Rehabilitation and closure costs
- Post-closure monitoring and maintenance costs (aftercare)

The amount provided is the best estimate calculated. The financial implications of rehabilitating the landfill site were determined by the independent valuator, GIBB (Pty) Ltd at 30 June

2015. There was no re- measurement at 30 June 2016.

15. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

15. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

	2016	2015
Carrying value		
Opening Balance	(3,044,000)	(3,926,000)
Movement for the year	(705,000)	(528,000)
	(3,749,000)	**(4,454,000)**

The Council and its employees contribute to the Natal Joint Municipal Pension Fund's three funds which provide retirement benefits to such employees.

The funds are subject to the Pension Funds Act 1956, and are self administered, defined benefit plans. Pensions are calculated on the average annual pensionable emoluments during the last years of service. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed every three years. Certain employees of the municipality belong to the Natal Joint Municipal Pension Fund (retirement), Natal Joint Municipal Pension Fund (provident) and Natal Joint Municipal Pension Fund (superannuation) which are administered by the Province.

Changes in the present value of the defined benefit obligation are as follows:

	2016	2015
Opening balance	4,454,000	3,926,000
Movement during the year	(705,000)	528,000
	3,749,000	**4,454,000**

Long service awards

	2016	2015
Opening balance	868,000	-
Movement for the year	5,000	868,000
	873,000	**868,000**

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

Key assumptions used

Assumptions used at the reporting date:

	2016	2015
Average Retirement age - female		63
Average Retirement age - male		63
Discount rates used	9.83 %	9.16 %
Health care cost	8.97 %	8.36 %
Consumer price inflation	7.97 %	7.36 %
Net discount rate	0.79 %	0.73 %

Figures in Rand	2016	2015

15. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	846,000	470,000
Effect on defined benefit obligation	4,385,000	5,111,000

Amounts for the current and previous four years are as follows:

	2016	2015	2014	2013	2012
Defined benefit obligation	3,749,000	4,454,000	3,926,000	14,842,988	-

16. Service charges

Refuse removal	871,408	928,131

17. Rental income

Premises		
Rental of investment properties	144,044	165,337

18. Investment revenue

Interest revenue		
Interest received	2,550,115	1,419,856

19. Licences and permits

Business licence	175	350
Commision:Department of Transport	23,719	483,470
Drivers licence	119,579	120,690
Learners licence	192,800	203,906
Plan fees	3,985	12,961
Vehicle Fees	1,660,216	352,528
	2,000,474	**1,173,905**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Other income

Cemetery fees	10,028	19,151
Discounts and refunds received	5,212	6,867
Donations	1,278,934	336,564
Drivers license cards	135,091	182,622
Encroachments	259	1,351
Housing claims	-	2,122,612
Insurance claims	131,817	313,661
Interest received	304,720	386,731
Local Government Sector Education and Training Authority (LGSETA)	44,768	147,196
Photocopies	9,149	9,108
Rates clearing certificates	10,973	16,141
Taxi rank fees	7,500	17,807
Movement on landfill site provision	(1,584,256)	2,601,821
Stale Cheques	745	-
	354,940	**6,161,632**

21. Property rates

Rates received

Assessment rates	16,395,135	13,502,865
Agreements	(3,309)	-
	16,391,826	**13,502,865**

Valuations

Commercial	637,617,000	574,652,000
Residential	586,043,000	627,806,000
State	263,135,000	284,085,000
	1,486,795,000	**1,486,543,000**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Government grants and subsidies

Operating grants		
Cyber Cadet Grant	170,000	126,000
Equitable share	74,181,000	59,972,000
Expanded Public Works Program (EPWP)	979,242	1,146,429
Financial Management Grant (FMG)	1,801,070	1,799,025
Geographic Information System (GIS) Grant	-	66,053
Integrated National Electrification Programme Grant (INEG) two	4,655,586	7,895,295
Library provincialisation	553,000	535,000
Municipal Infrastructure Grant (MIG)	21,073,958	20,422,000
Municipal Systems Improvement Programme Grant (MSIG)	930,794	939,222
Municipal Infrastructure Grant (MIG) Retention Grant	-	2,014,792
Small town rehabilitation	15,048,985	5,233,264
	104,174,650	92,775,024
	119,393,635	**100,149,080**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Storm relief

Balance unspent at beginning of year	139,966	2,154,759
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(2,014,793)
	139,966	**139,966**

The grant is intended to purchase material in order to repair damaged houses for beneficiaries in various areas in Dannhauser Municipality.

The beneficiaries' families are headed by the unemployed and pensioners, living under such extreme poverty that they can not build their own houses.

The balance of the grant whose condition(s) have not yet been met has been transferred to liabilities (see note 12 unspent conditional grants and receipts).

Municipal Infrastructure Grant (MIG) Retention

Current-year receipts	-	174,564
Conditions met - transferred to revenue	-	(174,564)
	-	-

This grant has been reallocated to retentions (see note13 unspent conditional grants and receipts).

Tourism Support Grant

Balance unspent at beginning of year	61,379	61,379
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	61,379	**61,379**

Geographic Information System (GIS) Grant

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	66,053
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(66,053)
	-	-

Emafusini KNPA roads project

Balance unspent at beginning of year	112,437	112,437
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	112,437	**112,437**

Rural infrastructure

Balance unspent at beginning of year	344,148	344,148
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	344,148	**344,148**

Land use management systems

Balance unspent at beginning of year	102,354	102,354
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	102,354	**102,354**

Kwagule bakery-reserves

Balance unspent at beginning of year	53,440	53,440

Information Management Planning (IMP) monitoring system (KZN Province)

Balance unspent at beginning of year	58,830	58,830
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	58,830	**58,830**

Health Regional Services Council (RSC)-cemetery project

Balance unspent at beginning of year	58,336	58,336
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	58,336	**58,336**

Municipal Infrastructure Grant (MIG) Grant

Balance unspent at beginning of year	-	-
Current-year receipts	21,074,000	20,422,000
Conditions met - transferred to revenue	(21,074,000)	(20,422,000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Government grants and subsidies (continued)

The purpose of the municipal infrastructure grant is to provide basic residential infrastructure for poor households. The grant can be used for new infrastructure, upgrading bulk and connector infrastructure, or the rehabilitation of existing infrastructure.

Financial Management Grant

	2016	2015
Balance unspent at beginning of year	1,120	145
Current-year receipts	1,800,000	1,800,000
Conditions met - transferred to revenue	(1,801,070)	(1,799,025)
	50	**1,120**

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Ac (MFMA). The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g salary costs of the Financial Management Interns).

The balance of the grant whose condition(s) have not yet been met has been transferred to liabilities (see note 12 unspent conditional grants and receipts).

Library Provincialisation Grant

	2016	2015
Current-year receipts	553,000	535,000
Conditions met - transferred to revenue	(553,000)	(535,000)
	-	-

The purpose of the community library services grant, administered by the Department of Co-operativegovernments and traditional affairs, is to help South Africans access knowledge and information, so that their socioeconomic situation can be improved.The grant is allocated to the relevant provincial department and either administered by that department or through a service-level agreement with municipalities.

Municipal Systems Improvement Programme Grant (MSIG)

	2016	2015
Balance unspent at beginning of year	794	6,016
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,794)	(939,222)
	-	**794**

The purpose of this grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

Conditions still to be met - remain liabilities (see note 13).

Electrification Grant

	2016	2015
Balance unspent at beginning of year	(2,139,480)	(2,139,480)

The purpose of the Electification Grant is administered by the Department of Co-operative governments and traditional affairs is to assist the municipality to undertake and execute electrification programmes.

Small Town Rehabilitation Grant

	2016	2015
Balance unspent at beginning of year	20,081,195	314,460

Figures in Rand	2016	2015

22. Government grants and subsidies (continued)

Current-year receipts	-	25,000,000
Conditions met - transferred to revenue	(15,048,984)	(5,233,265)
	5,032,211	**20,081,195**

The purpose of the grant is to facilitate the rehabilitation of infrastructure in the small towns.

Conditions still to be met - remain liabilities (see note 13 unspent conditional grants and receipts).

Electrification Programme Grant

Balance unspent at beginning of year	104,704	-
Current-year receipts	5,000,000	8,000,000
Conditions met - transferred to revenue	(4,655,586)	(7,895,296)
	449,118	**104,704**

The purpose of the Electrification Program Grant, which is administered by the Department of Co-operative governments and traditional affairs is to assist the municipality in undertaking and executing an electrification programme.

Conditions still to be met - remain liabilities (see note 13 unspent conditional grants and receipts).

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	-	146,428
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(979,242)	(1,146,428)
	20,758	**-**

The purpose of the grant is to incentivise municipalities to expand job creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Program (EPWP) guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure); other economic and social infrastructure.

Cyber Cadet

Current-year receipts	170,000	126,000
Conditions met - transferred to revenue	(170,000)	(126,000)
	-	-

The purpose of the Cyber Cadet grant, which is administered by the Department of Co-operative governments and traditional affairs, is to assist in the cost of appointing the library computer assistant for the Dannhauser Community Library.

23. Fines

Library fines	953	998
Lost books	-	475
Traffic fines	849,648	712,537
	850,601	**714,010**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. Revenue

Fines	850,601	714,010
Government grants and subsidies	119,393,634	100,149,080
Interest received - investment	2,550,115	1,419,856
Licences and permits	2,000,475	1,173,905
Other income	354,938	6,161,632
Property rates	16,391,826	13,502,865
Rental income	144,044	165,337
Service charges	871,408	928,131
	142,557,041	**124,214,816**

The amount included in revenue arising from exchanges of goods or services are as follows:

Interest received	2,550,115	1,419,856
Licences and permits	2,000,475	1,173,905
Other income	354,938	6,161,632
Rental of facilities and equipment	144,044	165,337
Service charges	871,408	928,131
	5,920,980	**9,848,861**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	16,391,826	13,502,865
Transfer revenue		
Fines	850,601	714,010
Government grants and subsidies	119,393,634	100,149,080
	136,636,061	**114,365,955**

Notes to the Annual Financial Statements

25. Employee related costs

Employee related costs – salaries and wages	14,052,846	15,899,755
Employee related costs - casual salaries and wages	2,531,772	85,247
Housing benefits and allowances	193,300	50,891
Medical aid - company contributions	2,585,860	2,457,113
Overtime payments	453,159	420,315
Other employee related costs	212,355	348,003
Bonuses	1,243,512	1,082,974
Post-employment benefits	(705,000)	528,000
Skills Development Levy (SDL)	220,830	169,829
Travel, motor car, accommodation, subsistence and other allowances	1,266,186	1,120,485
	22,054,820	**22,162,612**

Remuneration of Municipal Manager (Nkosi WB)

Annual Remuneration	516,448	523,189
Car Allowance	361,881	310,184
Performance Bonuses	144,752	144,752
Contributions to UIF, Medical and Pension Funds	70,686	60,620
Leave pay	151,698	-
	1,245,465	**1,038,745**

Remuneration of Chief Finance Officer (Mohapi DM)

Annual Remuneration	492,864	462,293
Car Allowance	249,485	236,330
Performance Bonuses	40,761	38,524
Contributions to UIF, Medical and Pension Funds	187,546	177,942
Cell Phone Allowance	18,000	6,000
Bond Allowance	8,400	6,314
	997,056	**927,403**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Employee related costs (continued)

Remuneration of Technical Service Director (Nene MR)

Annual Remuneration	378,195	345,026
Car Allowance	175,407	160,381
Performance Bonuses	32,035	29,939
Contributions to UIF, Medical and Pension Funds	86,525	81,052
Cellphone	18,000	6,000
Housing	8,400	6,314
	698,562	**628,712**

Remuneration of Corporate Services Director (Narothum S)

Annual Remuneration	358,040	325,571
Car Allowance	175,590	160,421
Bonuses	27,255	26,512
Contributions to UIF, Medical and Pension Funds	117,258	109,792
Cellphone	18,000	6,000
Leave Pay	18,000	32,705
	714,143	**661,001**

Remuneration of Community Services Director (Naidoo S)

Annual Remuneration	351,588	323,031
Car Allowance	186,824	179,680
Performance Bonuses	28,804	26,919
Contributions to UIF, Medical and Pension Funds	97,201	89,178
Cellphone allowance	18,000	6,000
Leave pay	25,842	-
Housing	8,400	6,314
	716,659	**631,122**

26. Remuneration of councillors

Executive Mayor	789,326	702,294
Deputy Executive Mayor	359,582	322,712
Speaker	635,455	566,729
Councillors	4,063,598	3,644,896
Executive Committee Members	681,106	608,142
	6,529,067	**5,844,773**

In-kind benefits

The Mayor and Speaker are full-time. The Mayor is entitled to the use and enjoyment of a vehicle at no cost to her.

The remuneration of employees and section 57 managers is within the upper limits of the SALGA Bargaining Council determinations.

26. Remuneration of councillors (continued)

2016	Annual remuneration	Cellphone allowance	Data card allowance	Total
Mayor	758,012	20,868	3,600	782,480

2016 Deputy Executive Mayor	Annual Remuneration	Travel allowance	Cellphone allowance	Data card allowance	Total
Ndaba VM	251,330	83,776	20,868	3,600	359,574

2016 Speaker	Annual Remuneration	Travel allowance	Cellphone allowance	Data card allowance
Ngubeni ZS	454,808	151,603	20,868	3,600

Figures in Rand	2016	2015

26. Remuneration of councillors (continued)

2016 Councillors	Annual remuneration	Travel allowance	Cellphone allowance	Data card allowance	Subsistence Allowance	Total
Cllr Buthelezi AH	171,361	57,120	20,868	3,600	-	252,949
Cllr Buthelezi MA	171,361	57,120	20,868	3,600	-	252,949
Cllr Hlongwane NS	171,361	57,120	20,868	3,600	-	252,949
Cllr Kunene ES	171,361	57,120	20,868	3,600	-	252,949
Cllr Majola MN	171,361	57,120	20,868	3,600	-	252,949
Cllr Manyathi NGJ	171,361	57,120	20,868	3,600	-	252,949
Cllr Mdakane HV	171,361	57,120	20,868	3,600	-	252,949
Cllr Mhlungu NJ	171,361	57,120	20,868	3,600	-	252,949
Cllr Ndlovu SN	171,361	57,120	20,868	3,600	-	252,949
Cllr Nene PP	171,361	57,120	20,868	3,600	-	252,949
Cllr Ngidi MA	228,481	-	20,868	3,600	-	252,949
Cllr Nxumalo LL	171,361	57,120	20,868	3,600	-	252,949
Cllr Nyembe MR	171,361	57,120	20,868	3,600	-	252,949
Cllr Radebe SAN	171,361	57,120	20,868	3,600	-	252,949
Cllr Shabalala SMB	171,361	57,120	20,868	3,600	-	252,949
Cllr Sithole MP	171,361	57,120	20,868	3,600	-	252,949
	2,798,896	**856,800**	**333,888**	**57,600**	**-**	**4,047,184**

2016 Executive Committee members	Annual remuneration	Travel allowance	Cellphone allowance	Data card allowance
Mabanga TV	235,626	78,542	20,868	3,600
Sibeko MA	235,626	78,542	20,868	3,600
	471,252	**157,084**	**41,736**	**7,200**

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

27. Debt impairment

	2016	2015
Bad debts written off	761,843	584,237

28. Depreciation and amortisation

	2016	2015
Intangible assets	-	13,239
Property Plant & Equipment	26,296,912	25,997,040
	26,296,912	**26,010,279**

29. Repairs and maintenance

	2016	2015
Repairs & Maintenance	5,039,392	6,036,509

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

29. Repairs and maintenance (continued)

Amount paid to service provider	4, 555, 660	
Amount spent on materials	1, 607, 981	

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
30. Expenditure Grants		
Grant expenditure classified by nature of expense		
Salaries	1,585,108	1,917,332
Free basic	257,203	448,833
Internal Audit and audit comittee fees	157,061	607,119
Training	16,150	706,969
Ward Participation	-	185,000
Information systems	-	610,736
Protective clothing	-	131,330
General Expense	-	104,836
Professional Fees	1,924,115	-
By Laws	4,176	-
	3,943,813	**4,712,155**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

31. General expenses

Advertising	267,591	299,936
Auditors remuneration	2,175,313	2,518,421
Bank charges	39,027	44,372
Burial of destitute	137,836	124,547
By law and acts	4,347	-
Catering	253,061	268,176
Chemicals	11,803	23,192
Cleaning material	80,935	108,755
Computer expenses	32,561	18,377
Condolatory fund	-	1,690
Conferences and seminars	443,059	564,816
Disabled projects	2,240	49,709
Disaster management	770,294	791,484
Electricity	1,626,174	1,008,160
Electrification	12,644,438	15,795,441
Entertainment	446,128	130,374
Facilitation	400	-
First aid kit	-	431
First ten bursary	300,500	262,500
Gender and culture	359,622	463,262
Subscription	173	448,833
HIV program	361,382	236,764
Insurance	367,694	291,567
Investment mobilisation	(100)	23,600
Leave pay accrual	2,125,967	412,268
Legal costs	347,239	243,957
Licence fees	252,399	42,287
Local Economic Development (LED)	1,326,662	2,668,203
Magazines, books and periodicals	-	13,759
Maps and plans	2,096	1,253
Marketing and corporate	384,658	212,264
Mayoral expenses	1,456,556	657,240
Membership fees	501,000	500,000
Municipal partnership	363,807	123,982
PMS review & printing	330,660	555
Placement stipend	396,831	-
Postage fees	18,847	198,924
Printing and stationery	478,260	1,023,414
Professional fees	83,786	124,176
Professional services	2,689,932	2,269,522
Project launch costs	-	7,590
Promote Intergrated Development Plan (IDP)	79,762	496,010
Promote public participation	594,562	395,255
Provision for bad debts	54,600	272,229
Provision for landfill site	687,095	-
Solar panels	-	480,000
Ramaphosa housing	-	609,806
Refuse Bins/Bags	170,869	146,995
Rental of land	44,355	148,618
Rental office machine	313,065	627,885
Road marking	38,531	33,027
Safety equipment	-	9,069
Sector Development Plans	-	173,084
Security and alarms	2,976,199	1,750,443
Seeds and plants	-	1,808
Senior citizen	181,075	305,175
Skills levy	575,872	-
Sports	653,615	265,528
Subsistence and travelling	2,930,045	3,190,051
Telephone	520,189	641,241

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
31. General expenses (continued)		
Job evaluation	153,679	-
Town cleaning	10,539	8,313
Training direct expense	384,693	1,676,842
Transport official vehicles	1,207,735	1,273,934
Uniforms	83,651	22,947
VAT adjustment	185,160	(132,823)
Valuation appeal board	284,151	-
Valuation costs - interims	180,601	157,730
Valuation reduction	1,300,595	1,241,424
Ward constituency meeting	362,680	923,000
Ward council committee	1,044,945	939,959
Water	(99,924)	115,050
Workplace Skills Plan (WSP)	163,000	4,768
Youth	51,546	63,147
	46,216,063	**47,814,316**

32. Gain(loss) on disposal of assets and liabilities

Gain / Loss of assets	285,514	123,811

33. Impairment of assets

Gain / Loss		
Property Plant & Equipment	(45,330,111)	(103,321)

34. Auditors' remuneration

Fees	2,175,313	2,518,421

35. Cash generated from operations

(Deficit) surplus	(10,066,282)	15,782,581
Adjustments for:		
Depreciation and amortisation	26,296,912	26,007,607
Gain (loss) on sale of assets and liabilities	45,615,626	(123,811)
Debt impairment	761,843	584,237
Movements in retirement benefit assets and liabilities	168,000	528,000
Movements in provisions	55,262	(2,601,821)
Impairment loss	-	103,321
Other non-cash items	(19,028,619)	(4,038,855)
Changes in working capital:		
Receivables from exchange transactions	(978,224)	(182,961)
Consumer debtors	(761,843)	(584,237)
Receivables from non-exchange transactions	(3,208,074)	(4,173,773)
Payables from exchange transactions	3,107,959	(4,544,287)
VAT	(4,145,399)	(169,925)
Unspent conditional grants and receipts	(15,379,677)	17,465,354
	22,437,484	**44,051,430**

Figures in Rand	2016	2015

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	134,988,441	154,524,066
Not yet contracted for and authorised by accounting officer		
• Infrastructure	23,771,000	21,232,406
Total capital commitments		
Already contracted for but not provided for	134,988,441	154,524,066
Not yet contracted for and authorised by accounting officer	23,771,000	21,232,406
	158,759,441	**175,756,472**

Total commitments

Total commitments		
Authorised capital expenditure	158,759,441	175,756,472
Authorised operational expenditure	-	7,202,416
	158,759,441	**182,958,888**

This committed expenditure relates to Infrastructure assets and other assets and will be financed by available bank facilities, Small Town rehabilitation grant, retained surpluses, existing cash resources and internally generated funds, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	438,040	135,807
- in second to fifth year inclusive	283,281	160,599
	721,321	**296,406**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 1 year. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	22,228	19,840
- in second to fifth year inclusive	14,750	12,320
	36,978	**32,160**

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

37. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk (including currency risk, fair value interest rate risk, cashflow interest rate risk and price risk).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

37. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Cash and cash equivalents	35,246,274	21,782,840
Receivables from exchange transactions	1,695,338	1,754,629
Receivables from non-exchange transactions	8,403,778	6,654,254

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(500,000)	-
Current year subscription / fee	500,000	500,000
Amount paid - current year	-	(1,000,000)
	-	**(500,000)**

Audit fees

Current year subscription / fee	2,175,313	1,460,715
Amount paid - current year	(2,175,313)	(1,460,715)
	-	-

PAYE and UIF

Current year subscription / fee	2,358,056	3,192,281
Amount paid - current year	(2,358,056)	(3,192,281)
	-	-

Pension and medical aid deductions

Opening balance	2,895,050	2,387,049
Current year subscription / fee	(2,895,050)	(2,387,049)
	-	-

Figures in Rand	2016	2015

38. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	5,159,581	1,014,181

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at June 30, 2016:

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management (SCM) Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Social crime prevention	3,155,403	2,144,195

39. Fruitless and wasteful expenditure

The accounting officer is not aware of any matter or event that give rise to fruitless and wasteful expendirue incurred during the financial year.

40. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

40. Prior period errors (continued)

Statement of Financial Performance for the year ended 30 June 2014	Balance as previously reported	Prior period error	Restated balance
Revenue			
Service charges	928,131	-	928,131
Rental of facilities and equipment	165,337	-	165,337
Interest received - investment	1,419,856	-	1,419,856
Licences and permits (exchange)	1,173,905	-	1,173,905
Other revenue	6,161,632	-	6,161,632
Property rates	13,502,865	-	13,502,865
Government grants and subsidies	100,149,080	-	100,149,080
Fines	714,010	-	714,010
Total revenue	124,214,816	-	124,214,816
Expenditure			
Employee related costs	(22,162,612)	-	(22,162,612)
Remuneration of councillors	(5,844,773)	(339,725)	(6,184,498)
Debt impairment	(584,237)	-	(584,237)
Depreciation and amortisation	(26,010,279)	-	(26,010,279)
Repairs and maintenance	(6,036,509)	-	(6,036,509)
Other expenses	(47,814,316)	(152,400)	(47,966,716)
Total expenditure	(108,452,726)	(492,125)	(108,944,851)
Operating surplus / (deficit)	15,762,090	(492,125)	15,269,965
Gain/(loss) on disposal of assets nd liabilities	123,811	-	123,811
Impairment loss	(103,321)	-	(103,321)
Surplus / (deficit) for the year	(779,074)	(492,125)	15,290,455

Figures in Rand	2016	2015

40. Prior period errors (continued)

Statement of Financial Position as at 30 June 2014

	Balance as previously reported	Prior period error	Restated balance
Assets			
Current Assets			
Cash and cash equivalents	31,924,384	-	31,924,384
Receivables from exchange transactions	3,968,578	-	3,968,578
Receivables from non-exchange transactions	5,195,704	-	5,195,704
VAT receivable	1,014,181	-	1,014,181
Total current assets	42,102,847	-	42,102,847
Non-current Assets			
Investment property	14,815,856	-	14,815,856
Property, plant and equipment	334,188,005	4,520,274	338,708,279
Intangible assets	101,447	-	101,447
Heritage assets	55,576	-	55,576
Total non-current assets	349,160,884	4,520,274	353,681,158
Liabilities			
Current Liabilities			
Payables from exchange transactions	4,977,458	-	4,977,458
Finance lease obligation	1,215	-	1,215
Unspent conditional grants and receipts	19,746,966	-	19,746,966
Provisions	986,816	-	986,816
Total current liabilities	25,712,455	-	25,712,455
Non-current Liabilities			
Employee benefit obligation	4,454,000	-	4,454,000
Net Assets			
Accumulated surplus - Opening balance	361,097,276	1,308,193	362,405,469
Total net assets	361,097,276	1,308,193	362,405,469

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

40. Prior period errors (continued)

41. Related parties

Related party transactions

Purchases from (sales to) related parties		
Veez Micro Enterprise	623,700	13,378,523

Dookies Electrical is the brother of Mrs. S. Narothum (Manager Corporate Services).

Veez Micro Enterprise & Khanyisa Africa is the nephew of Mrs. S. Narothum (Manager Corporate Services).

42. Irregular expenditure

	2016	2015
Opening balance	-	69,664
Add: Irregular Expenditure - current year	3,155,404	2,074,531
Less: Amounts condoned	(3,155,404)	(2,144,195)
	-	-

43. Comparative figures

No comparative figures have been reclassified.

44. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

45. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

46. Contingencies

A contingent liability is being raised relating to a dispute with an employee, Mr Madondo, who is seeking reinstatement R -. The dispute is as a result of a dissmisal that occurred and Mr Madondo refered the matter to Aribtration and the Bargaining Council has not finalised the matter. .